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FRONT COVER

A Small Farmer of India

The average Indian farmer works his field with bullock and wooden plow.

Under his government's First Five-Year Plan, which ends next March and which is described in the story on page 219, he is getting additional assistance in improved farm practices. (Photo courtesy of Barbara V. Ward.)

BACK COVER

Israel Shifts Its Imports To Nearby Sources

Israel is finding other sources for many of the products it used to buy from the United States. Countries close at hand—such as West Germany and Turkey—can offer it practical incentives in trade both as sources and as markets. And the U. S. share of Israel's trade has declined accordingly, from 38 percent in 1950 to 28 percent in 1954.

NEWS NOTE

FAO Holding 8th Conference

The Food and Agriculture Organization of the United Nations is holding its eighth biennial conference in Rome, beginning November 4. Heading the United States delegation are Assistant Secretaries of Agriculture Earl L. Butz and Ralph S. Roberts.

The 71 member governments are taking note of the fact that this is the 10th anniversary year of FAO. The principal conference document is a comprehensive agricultural review entitled "The State of Food and Agriculture 1955." It points out one of the great challenges of the future: the need for progress in world distribution of agricultural products.

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FOREIGN AGRICULTURE ALICE FRAY NELSON, EDITOR

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Secretary Benson Stresses Need for Greater Trade Flow

I have had about 16 days abroad that have been very illuminating. I spent a full year in Europe right after the war. The contrast you see now is very, very marked. Europe has made a great come-back.

The visit was partly in response to invitations extended by ministers of agriculture and leaders of farm organizations. Secondly, I went over to attend important meetings of our agricultural attachés in Paris and of the International Federation of Agricultural Producers in Rome. But third, and probably the most important reason, was to consult with representatives of agriculture abroad—ministers of agriculture, leaders of farm organizations, representatives of trade, boards of trade, and others who deal in farm commodities which we export to Europe.

While people in Europe understand our farm problem in a general way, I found in many cases they were not familiar with the difficulties which we face in our agriculture. Our consultations were very frank—almost blunt.

One of the things that was emphasized was the contribution which American farmers have made, not only to the winning of the war, but since the war in feeding hungry mouths abroad and in making available great quantities of food and fiber. And I think there is some feeling that they (in Europe) share the responsibility in part for these great surpluses that we have, because they called for all-out production by American farmers, as did the American Government, and our farmers responded magnificently. And so those surpluses that we talk about are world surpluses, in a sense.

Secretary of Agriculture Ezra Taft Benson recently visited several European countries and conferred there with government and agricultural leaders. This article is a condensation of his report to the press following his return.

The one great fear which I found was that we might dump these commodities on world markets in a disruptive manner. I think I was able to assure them that we had no intention of breaking world markets, that we expect to compete vigorously, fairly, and honestly—that we do not feel we have our share of the world markets; a good example is in the case of cotton. Our part of the market has gone from 57 percent a few years ago down to 29 percent today. And while it is true we could dump—we have the authority and we could provide pretty stiff competition—we certainly have no intention of doing that. We think it would hurt our own agriculture in the long run. But we do expect to be competitive on a quality basis and on a price basis. I think they gained the impression that we probably want to resurrect some of the old Yankee trading spirit we once had in this country, which has almost disappeared.

There is a general feeling that there should be a lessening of barriers against trade, that it will be mutually profitable for the countries in Europe to expand their trade with us. I pointed out that the easing of quantitative restrictions, particularly on farm exports from a dollar area, has not kept pace with the improvement in the foreign exchange situation. I pleaded with them to remove these discriminations as soon as possible in the interests of stimulating trade.

I hit very hard at this tendency in many countries to go more and more toward state trade. I tried to make it clear that the United States stands firmly among the nations resisting this trend. We believe that, year in and year out, private business can do the job of selling farm products better in every way than governments can. In other words, I defended our private enterprise system.

By BORIS C. SWERLING
Associate Economist and Associate Professor, Food Research Institute, Stanford University

Science Changes the Structure Of World Trade

Comments suggested by the Ninth Meeting of the International Conference of Agricultural Economists, held in Finland this summer.*

Technical change within agriculture is no new phenomenon. The selection of improved varieties of seeds and superior breeds of animals, the development of new rotation systems, and the introduction of improved implements contributed to a veritable agricultural revolution without which Europe's industrial towns of the 18th and 19th centuries could hardly have come into being. Improved land and water transport of the 19th century spectacularly affected production patterns, for they brought overseas grains into competition with European-produced cereals. And such marketing innovations as refrigeration won a place in the British market for meat from the Southern Hemisphere.

Yet, during the recent past, technical change within agriculture has been proceeding at an accelerated pace in some countries at least (C. Clark; see box on p. 217). Certainly there have been spectacular developments on a wide front—whether one thinks of hybrid corn or Santa Gertrudis cattle, artificial insemination or scientific feeding, insecticides or fertilizers, pasture or forest management or, of course, of the tractor and supplementary agricultural machinery.

It was appropriate, therefore, for the Ninth Meeting of the International Conference of Agricultural Economists to concentrate its attention on the implications of these changes.[1]

Implications for international trade, though dealt with exclusively in only one major paper (E. Englund), were suggested by many speakers.

Political attitudes deterred increases in agricultural production in several important export regions immediately after World War II. The reasons were several: the memory of depressed farm prices in the 1930's, the bargaining disadvantage suffered by exporting countries during the period of wartime shipping difficulties when allocation of vessels was largely a prerogative of the metropolitan countries, unstable prices in international commodity markets, the identification of exports of primary commodities with dependent and quasicolonial status, as well as the glamour associated with industrialization programs as such. The policy was a dangerous one for countries like Argentina and Australia that enjoyed an important advantage in primary production but that could suffer serious competitive loss if they lagged in promoting agricultural productivity (E. Whetham).

Now that several countries are changing their policy and giving a higher priority to expansion of agricultural production, any increase in agricultural protectionism in Europe would be particularly unfortunate (T. W. Schultz). That continent would be denying itself not only the benefit of cheap primary imports, but also a market for its manufactured exports; for it would force such regions as Latin America to speed up their own industrialization.

One compelling argument that might deter continued or increased specialization on primary production in overseas countries is the notion that economic growth should be "balanced" (H. G. Hal-

* The full text of the Proceedings will be published in due course by the Oxford University Press.

[1] For purposes of conference discussion, "technical change" was interpreted in a broad sense, as a term including original scientific research, adaptation of new inventions to agricultural use, the "finishing" of new knowledge into something "fully ready to be marketed" for field use (J. R. Raeburn), and the dissemination of proved agricultural knowledge to the host of agricultural producers within particular countries and throughout the world.

crow)—that primary producing countries may be not so much underdeveloped as "maldeveloped" (U. Aziz). A more extreme view, which has some current popularity, is that every national unit is capable of high prosperity and a diversified economic development with little resort to international trade, however small the nation may be and whatever its resource base. But the example of Denmark, New Zealand, and even Iowa suggests that small territorial units can enjoy high levels of living from an efficient agriculture organized to serve external markets. Finland, the host country for the conference, provides in its forest industries a further example of what can be accomplished by a nation when it capitalizes on unbalanced resources through international trade and specialization.

True, export staples have played a more successful role in some countries than in others in supplying the basis for major processing facilities or in generating a more diversified domestic economy. In Brazil the temporary spurts in sugar, gold, rubber, cacao, cotton, and more recently coffee are argued to have brought little permanent benefit to the country (E. D. Brandao); but, at the same time, recent high prices for primary exports are said to have been a major factor promoting technical change in Latin American agriculture (J. O. Morales). Yet, the rubber of Southeast Asia, the cacao of West Africa, and the coffee of Latin America, all so highly dependent on external markets and so ill-adapted to further domestic processing, do raise special problems. Vegetable oilseeds, by contrast, find important domestic outlets opening up as soon as local levels of living are on the rise, while grains lead to more intensive agriculture via animal feeding.

Adaptation to the international trading system has relied heavily on the application of the scientific method to local economic problems. But the overwhelming majority of agricultural scientists have devoted themselves to problems of temperate agriculture. One does well not to overlook the substantial increases in production and yield that have taken place in the oriental Tropics. Yet the major scientific effort in the Tropics has been in connection with export crops of interest to the metropolitan country. A varietal revolution in sugarcane and high-yield rubber trees stands witness to what is possible when trained personnel devote themselves to problems of tropical agriculture for long periods.

Despite the multiplication of national, bilateral, and international programs of technical assistance that have sought to correct this deficiency, the institutional environment is in many respects even less satisfactory than before the war. Some of the most fruitful investigations must take the long view (P. V. Cardon). But where are the agencies able to do so? Not the specialists recruited for a year or two of service abroad; not the colonial agricultural official with fading prospects in territories rapidly attaining political independence; not the young governments of new countries, burdened with heavy responsibilities on all sides, pressured to show quick results, and not yet sure of their own political stability. Even the plantation owner in the postwar period has in some cases been moved to shorten his economic horizon in view of political disfavor. The technological

About the Speakers We Have Quoted . . .

Aziz, U., University of Malaya, Singapore
Baade, F., Institut für Weltwirtschaft, Kiel, Germany
Bellerby, J. R., Agricultural Economics Research Institute, Oxford, England
Bolgov, A. V., Moscow Academy of Science, USSR
Booth, J. F., Canadian Department of Agriculture, Ottawa
Brandao, E. D., Escola Superior de Agricultura, Vicosa, Brazil
Butler, I. A., Commonwealth Bank of Australia
Cardon, P. V., Director-General F.A.O., Rome
Clark, C., Agricultural Economics Research Institute, Oxford
Duncan, J. F., Aberdeen, Scotland
Englund, E., American Embassy, London
Halcrow, H. G., University of Connecticut
Johnson, S., U. S. Department of Agriculture, Washington
Morales, J. O., Inter-American Institute of Agricultural Sciences, Turrialba, Costa Rica
Niehaus, H., Friedrich-Wilhelms Universität, Bonn, Germany
Raeburn, J. R., University of London
Richardson, J., Australia House, London
Sen, S. R., Ministry of Agriculture, India
Schultz, T. W., University of Chicago
Skovgaard, K., Royal Veterinary and Agricultural College, Copenhagen
Taylor, H. C., Washington
Young, E. C., Purdue University, U.S.A.
Whetham, E., University of Cambridge, England

changes that have taken place in the agriculture of the industrial countries establish agricultural supply firms as transmitters of advanced methods; but fertilizers and tractors may have been oversold to underdeveloped countries, putting further stress on short-term results. And how many universities are there in Europe or North America to which a student from the Tropics may come for training in either agricultural sciences or agricultural economics of a sort that can be readily adapted to conditions at home? The situation may in this respect be improving, yet the job remains one not of merely distributing existing knowledge more widely but of developing new knowledge upon which promising systems of tropical agriculture can be built (J. R. Raeburn).

When given favorable access to metropolitan markets, overseas producers, like domestic producers, have the incentive to undertake a long-range research program or to make the capital investments technology requires to the point that returns on capital may become very low (J. Richardson). But, exposed to arbitrary shifts in commercial policy, producers in export regions are not likely to nurture respect for the long view, the scientific method, or economic efficiency.

The disparity that follows inevitably from the temperate region's greater resources of scientific personnel is widened by one additional factor. Science can become a competitive weapon. For, although it can in general be expected to increase the volume of international trade by increasing efficiency relatively more in low-cost regions (E. Englund), it can also restrict trade by inventing the means for reducing imports into countries that are trying to protect their agriculture.

Technological changes in the advanced countries are not, of course, necessarily disadvantageous for agriculture overseas. The automobile was responsible for expansion of the rubber-producing areas of Southeast Asia. Hydrogenation of liquid vegetable oils has supported the market for tropical oilseeds, and has done so in direct competition with animal fats from temperate regions (H. Niehaus, I. A. Butler). It is even possible that the chemical industry, now largely based on petroleum, will in the near future begin using large quantities of cheap carbohydrates—a change highly beneficial to sugarcane producers.

Whether technological changes in industry and in agriculture, combined with rising incomes and growing populations, will cause agricultural prices in general to rise or to fall in relation to prices of manufactured goods, only a bold man will predict. Some agricultural economists argue that every improvement in farm technique injures agricultural producers in the short run (J. R. Bellerby); others are concerned that, unless reduction in agricultural costs parallels efficiency in production of synthetics, agricultural products will lose ground to manufactured substitutes. Some improvements may of course reduce costs sufficiently that the net income of farmers will rise even if their gross falls slightly (I. A. Butler). On the other hand, widespread use of fertilizer may bring an enormous expansion of output and so cut prices (F. Baade). Ultimately, diminishing returns may swallow up much of the gain from improved methods in agriculture (T. W. Schultz).

For different commodities, technical change within agriculture takes place at a different pace. Certainly in the 1920's the impact of advancing technology was particularly severe on regions producing wheat, sugar, and cotton for export, and the same commodities—partly, to be sure, as a result of national policies—are in difficulty today. If more efficient grain production in North America leads to more feeding of livestock, resultant exports of animal products will come into competition with those from other producing areas (I. A. Butler).

Some observers are optimistic that present U. S. surpluses will disappear as domestic consumption rises and the United States becomes a net importer of agricultural produce. But much of its imports consists of tropical commodities; such imports make no direct contribution toward solving the surplus problem (S. Johnson), which mainly concerns crops of the temperate regions.

One would nevertheless hope that raising agricultural output in the regions of the world that have tended to lag behind is a peaceful purpose toward which all nations can make common cause (H. C. Taylor). Unfortunately, ideological considerations intervene even here.

The Soviet Union has an implicit faith in the role of the very large unit of farm production. Although the technological basis for this approach is tractor power, the competitive position of the

(Continued on page 229)

India's 5-Year Plans: End of First, Beginning of Second

By CLARENCE E. PIKE
Regional Analyst, Asia and Middle East Analysis Branch, FAS

India's achievements under its first 5-Year Plan—which ends in March 1956—have already changed the pattern of U. S.-Indian trade in farm products. In 1951 India imported 1,807,900 long tons of U. S. wheat; in 1954, less than 100,000 tons.

INDIA will complete the farm program of its First Plan with the harvest of 1955-56. But it is already ahead of schedule for three major crops. In food grains, the plan calls for a 14-percent production increase over the base year; with the 1954-55 crop, the farmers delivered a 22-percent one. In oilseeds, the gain is 14 percent against 8. In cotton, the increase just exceeds the goal of 42 percent. In jute and sugarcane, however, the planned increases have not yet been achieved.

The food-grain and oilseed targets were met as early as 1953-54. But that crop followed the unusually good 1953 monsoon. A better measure for the real progress of Indian agriculture is the crop that followed the more "normal" monsoon of 1954.

Agricultural Targets

Because of the difficult food and fiber situation of 1950 and 1951, India gave farm programs high priority in its first 5-Year Plan. Of the total outlay of about $4,345 million, agriculture and rural community development received 17.4 percent.

Food grains. At the beginning of the Plan period, food-grain production of about 50 million long tons left a deficit of about 3 million tons a year. And in 1951, imports were at the burdensome level of 4.7 million tons, even with consumption restricted by rationing. Practically all movement of food grains was severely limited.

By 1954, however, the production target for the Plan had been exceeded, imports had declined to only 808,000 tons, and all government restrictions and controls on food grains had been removed. In 1954-55, production of food grains and pulses totaled 65.8 million tons, including 24.2 million tons of rice, 8.5 million tons of wheat, 22.6 million tons of various other cereals, and 10.5 million tons of pulses.

1954-55 production of cereals (excluding pulses) was 55.3 million tons. With an estimated population of 378 million, daily per capita availability of cereals was about 14.4 ounces—nearly 0.7 ounce beyond the target set for 1955-56. In 1954-55, cereals production was more than 20 percent above that of the base year 1949-50; yet acreage had increased less than 7 percent.

Cotton. Much of the subcontinent's cotton area went to Pakistan in the partition, but practically all the cotton mills remained with India. Unable to supply the mills with enough cotton, India had to apply strict rationing and price control to cotton cloth. To meet the cotton shortage, the Plan set a target of 1,260,000 additional bales beyond the crop of the base year (1950-51). This large in-

India's sugarcane was one of its few crops that fell short of meeting targets set in the First Five-Year Plan.

Targets for principal crops under India's first and second Five-Year Plans, and production, 1954-55

Item	Food grains[1]	Oilseeds	Sugar[2]	Cotton[3]	Jute[4]
	1,000 long tons	1,000 long tons	1,000 long tons	1,000 bales	1,000 bales
Production during base period[5]	54,000	5,080	5,600	3,000[6]	3,280
Planned increase	7,600	400	700	1,260	2,090
Target for first 5-Year Plan (April 1951-March 1956)	61,600	5,480	6,300	4,260	5,370
Actual production, 1954-55	65,800	5,800	5,500	4,300[6]	3,150
Target for second 5-Year Plan (April 1956-March 1961)	75,500	6,800	7,700	5,500	5,000

[1] Includes pulses. [2] In terms of gur (crude sugar). [3] In bales of 392 pounds net. [4] In bales of 400 pounds. [5] For food grains, 1949-50; for all other commodities, 1950-51. [6] Official estimates. Trade estimates, believed to be more reliable, are somewhat higher.

crease was more than attained in 1954-55. Specific measures used to increase production were price supports, new irrigation facilities, increased seed supplies of improved varieties, greater use of ammonium sulfate, and the promotion of cotton production by the agricultural extension staff.

Jute. Most of the subcontinent's jute area went to Pakistan also; all the mills were in the territory remaining with India. The Plan called for increasing India's jute production by 2,090,000 bales beyond the crop of the base year (1950-51). Fertilizers were distributed, retting tanks built, seed-multiplication farms established, line sowing demonstrated, and expert advice and assistance provided to farmers. Later in the Plan period, special measures were adopted to improve quality. But despite all efforts, the target has not yet been reached. True, in the first year of the Plan production rose by 1.4 million bales, and in the second year it declined only slightly. But in the next 2 years it fell well below that of the base year. This setback was due partly to floods and pests, but mainly to a break in prices.

Sugar. In 1950-51 sugar, like food grains, was rationed, and its price was controlled. The plan set as a target an increase of 700,000 tons crude sugar over the output of the base year (1950-51). In the first year, largely because of the high price fixed by the government, sugarcane acreage and production increased considerably. But in subsequent years government prices were lower. As a result, both acreage and production were also lower in 1953-54 and 1954-55 than in the base year.

Oilseeds. The First Plan called for the production of 400,000 more tons of oilseeds. Production totaled 5,080,000 tons during the base year 1950-51. It fell below this level during the first 2 years of the Plan, but by 1953-54 it had risen 720,000 tons—a substantial increase not only over the base year, but also over the target figure.

How Targets Were Met

Irrigation. The program for irrigation in the first 5-Year Plan forms part of a long-term national objective: to double the irrigated area within 15 to 20 years. The goal of the First Plan is to add 8.5 million acres to the irrigated area through major projects. Actual achievement will probably fall somewhat short of this, but by March 1956 the major irrigation and multi-purpose projects now under way may add about 7 million new acres. Minor projects, such as the construction of ordinary wells, tube wells, and ponds, are expected to bring 9 million new acres, against a target of 11.2 million. The target for tube wells—4,000 units—will probably be exceeded by about 1,600.

Agricultural extension. In its widest sense, agricultural extension includes giving assistance to animal husbandry, fisheries, cooperatives, and cottage and small-scale industries—all designed primarily to help rural people help themselves. In the First Plan, such work has been done both under the National Extension Service (from October 1953) and the Community Development Program (from October 1952). The community project areas are carrying on a comprehensive 3-year program to cover a fourth of the rural population in extension work by the time the First Plan ends. The long-time plan calls for covering all India's farm people by the end of the Second Plan (March 1961).

Fertilizers. One result of agricultural extension work by the Central and State Governments is the greatly increased use of chemical and other ferti-

lizers. Of the inorganic or chemical fertilizers, most important to India at present is ammonium sulfate, which contains about 20 to 21 percent nitrogen. And of the First Plan's industrial projects, most important to Indian agriculture is the Sindri Fertilizer Factory, with its rated production capacity of 960 tons of ammonium sulfate a day. Consumption has grown so much—from 275,000 tons in 1950 to an estimated 600,000 tons in 1955—that a 60-percent expansion in Sindri's capacity is already under way.

Organic fertilizers, too, are coming into increased popularity. The Community Projects and national extension blocks encourage the composting of farmyard manure and other waste material and the growing of green manure crops. And during the Plan period, there was steady progress in the establishment of centers for composting night soil and other urban refuse. In 1953-54, 1,729 centers produced 1.85 million tons of such urban compost, against 1,048 centers and 1.40 million tons in 1950-51.

Land reclamation and improvement. A third of the money allocated for land reclamation and improvement under the First Plan went to the Central Tractor Organization's 5-year program for reclaiming 1,400,000 acres of land. This goal will be achieved before March 1956. The Central Tractor Organization limits its activities to the States of Madhya Bharat, Madhya Pradesh, Bhopal, Uttar Pradesh, and Assam. But several State governments are carrying on land reclamation with their own tractor organizations. And several States also have other land-improvement projects, mainly carried on by manual labor. For example, Bombay State has contour terraced more than 1,050,000 acres and reclaimed over 30,000 acres of coastal saline land.

Production of major agricultural commodities in India, 1949-50 through 1954-55

Crop year	*Food grains*[1]	*Oilseeds*	*Sugar*[2]	*Cotton*[3]	*Jute*[4]
	1,000 long tons	*1,000 long tons*	*1,000 long tons*	*1,000 bales*	*1,000 bales*
1949-50	54,000	5,100	4,900	2,600	3,100
1950-51	50,100	5,080	5,600	3,000	3,280
1951-52	52,300	4,900	6,100	3,100	4,680
1952-53	58,400	4,600	5,000	3,100	4,610
1953-54	65,400	5,600	4,400	4,000	3,130
1954-55	65,800	5,800	5,500	4,300	3,150

[1] Includes pulses. [2] In terms of gur (crude sugar). [3] Official estimates, in bales of 392 pounds net. [4] In bales of 400 pounds.

Soil conservation. The First Plan provided for Government of India assistance to soil conservation projects of States and River Valley Authorities, but no expenditure was incurred in the first 3 years. The Central Government has since approved a limited number of loans for various State projects. However, India is short of trained soil conservationists. Therefore, the Central Soil Conservation Board (set up in December 1953) has advised the States to undertake small pilot projects in representative problem areas.

Seeds. Considerable State and Government of India money has been set aside to further the distribution of improved seeds. Practically all the States have programs for this purpose, but many of these programs are poorly organized, and often the seeds distributed are only mediocre in quality. It is now hoped that seed-multiplication work will be properly carried out in the Community Projects and the National Extension Service blocks.

Other means. The First Plan gave financial and other assistance to endeavors in the following fields also: (1) Control of plant insects and diseases, (2) agricultural finance, (3) cooperative marketing, (4) food grain storage, (5) livestock breeding, including artificial insemination, (6) improvement of milk supplies in municipal areas, (7) establishment of gosadans (homes for useless cattle), (8) control of livestock disease epidemics, particularly rinderpest, and (9) land reform.

Shortcomings of the First Plan

It has been widely argued that the First Plan does little or nothing to help the country's poorest group—the landless agricultural laborers. Since they depend entirely on wages, they have received very little, if any, of the benefit from increased production. Nor is there hope for them in the various land reform programs, which will benefit mainly the tenants. Thus many consider that the First Plan has failed to make any material progress toward one of its major objectives, social justice. However, it should be added that, according to Planning Commission estimates, the First Plan has resulted in employment for about 5 million additional people, largely in the rural areas.

Outlook for the Second Plan

For the Second 5-Year Plan (April 1956-March 1961), India is allocating about $9,030 million.

(Continued on page 230)

International

By FRANI

United States Executive Dire

U. S. agriculture has a large stake in the International Monetary Fund, for many of the barriers to sale of its products abroad are financial. The Fund, with 58 member nations, is devoted to promoting international monetary cooperation and expanding world trade.

SPEAKING in very broad terms, the International Monetary Fund was set up to administer the "code of fair practice" in the field of foreign exchange—a code set forth in its Articles of Agreement —and to make short-term advances to member countries to help them meet temporary deficits in their balances of payments. The general objectives of the Fund are these—

1. Elimination of exchange restriction.
2. Establishment and maintenance of fully convertible currencies, and
3. Widest possible extension of multilateral payments.

The foreign exchange policy of the United States fully satisfies these objectives, and the United States has played an active role in the Fund. The U. S. dollar is fully convertible, and the United States freely buys and sells gold in transactions with other treasuries and central banks and does not maintain exchange restrictions except as to Communist China and North Korea.

The Fund was organized early in 1946, and began exchange transactions on March 1, 1947. Its 58 members include nearly all of the countries in the Free World. Argentina, Ireland, New Zealand, Portugal, Spain, and Switzerland are the chief exceptions. A Board of Governors controls the Fund. It consists of one Governor for each member country. However, since this Board meets only once a year the day-to-day operations of the Fund are under the control of a 6-member Board of Executive Directors which is in continuous session in Washington.

Five Directors are appointed by the countries having the largest quotas (United States, United Kingdom, Nationalist China, France, and India) and 11 are elected for 2-year terms by the other 53 countries. The voting power of the Directors varies with the size of the quotas of the countries they represent, and the United States has a voting strength of about 27 percent in the present Executive Board.

The basic arrangement provided by the Articles of Agreement is that each member pays to the Fund 25 percent of its quota in gold and makes the balance available in its own currency on demand of the Fund.

The Fund's assets at the end of July 1955 amounted to $8,852 million. Of this total, $1,747 million consisted of gold. In addition the Fund had at that time $1,643 million of U. S. dollar claims and $225 million of Canadian dollar claims. The remaining assets consisted mainly of inconvertible currency claims. A number of these—especially sterling, Deutsche marks, guilders, and Belgian francs—are likely to be useful to the Fund.

During its first 10 years the Fund has had to operate in a relatively unfavorable environment. In most of this period, demands for goods from the dollar area have been very strong. Few member countries have been free from inflation and many have suffered acutely from it. Prices of primary commodities increased sharply during the Korean War; afterward, many of them declined. The net result of these conditions has been widespread and persistent disequilibrium in balances of payments. In most cases, gold and dollar reserves have been relatively small, and countries have endeavored to deal with this disequilibrium by imposing and maintaining exchange restrictions together with quantitative restrictions on imports.

These general conditions have had a great deal to do with the activities of the Fund. In the first place, most of the members have not been able to establish and maintain full convertibility for their currency. In fact, only 10 countries have been able to do so—Canada, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, and the United States. The other countries have continued to avail themselves of the transitional privileges of Article XIV, which authorizes them to maintain restrictions subject to periodic examination by the Fund, and the Fund has found it necessary to approve or tolerate restrictions on a wide scale. Secondly, the acute inflation that has persisted in a number of countries has generally resulted in aggravated exchange instability. Thirdly, persistent balance of payments deficits have complicated the task of finding appropriate ways

onetary Fund

THARD, JR.,
International Monetary Fund

to use the resources of the Fund, as will be explained below. Fourthly, for a number of reasons many countries have continued to maintain multiple exchange rates, instead of the unitary rates which are an important objective of the Articles of Agreement.

The Fund's principal efforts have been directed to the task of helping members to restore or maintain financial stability and to reduce and finally eliminate exchange and other restrictions maintained for balance of payments purposes.

Restrictions on exchange are examined annually. The examination is detailed; it goes into all aspects of the country's economy which are essential to a judgment on the primary question. Is it feasible for the member to eliminate exchange restrictions? In addition to these annual consultations, members must consult the Fund, and obtain its approval, whenever multiple currency practices and discriminatory currency arrangements are introduced or modified. Finally, the Fund stands ready to advise the Contracting Parties of the GATT (General Agreement on Tariffs and Trade) as to the balance of payments justification of quantitative import restrictions maintained by any one of the GATT signatories.

To help members restore or maintain financial stability, Fund missions, both formal and informal, have advised member countries on matters such as exchange administration, money market organization and policy, fiscal policy and procedures, and other matters relating to ways of improving the financial institutions and practices of the country. The aim of these technical missions is to assist the members to make progress in economic and financial stabilization, which, of course, is the indispensable basis of currency convertibility.

The Fund assembles, analyzes, and publishes a large amount of information relating to the economic and financial situation of the member countries and the various aspects of the foreign exchange policies. One of the best known of its publications is *International Financial Statistics*, a monthly statistical handbook, which is widely used by governments throughout the world as well as by bankers and businessmen engaged in international trade and finance. It contains the most concise, up-to-date summary of the statistical facts and estimates relating to most of the countries in the Free World that is available. Other Fund publications include the *Balance of Payments Yearbook,* which is issued in loose-leaf form; the *Annual Report on Exchange Restrictions;* the *Annual Report to the Board of Governors;* the weekly *International Financial News Survey;* and the quarterly *Staff Papers.*

Something should be said in this article about the use of the Fund's resources. It is *not* the purpose of the Fund to make long-term loans. The Fund was provided with financial resources in order that the member countries might draw on it to meet *temporary* deficits in their balance of payments. The key word here is "temporary," and the problem confronting the Fund has been to devise a policy which would so far as practicable assure that its resources would be used to deal with temporary deficits and not to meet basic or fundamental balance of payments disturbances. The Fund has defined the word "temporary" as being 3 to 5 years. In general, the Fund freely permits a member to draw up to the amount of gold it contributed to the Fund. In addition, the Fund is reasonably liberal in permitting drawing within the first 25 percent of the member's quota, requiring only to be satisfied that the member is making "reasonable efforts" to solve its problems. Additional drawings require a more careful scrutiny, particularly as to the country's plans and capability for correcting the conditions which have given rise to the need for assistance. As the Fund stated in its 1955 *Annual Report* "foremost among the developments that the Fund foresees as justifying liberal approval of such drawings are transactions in support of the establishment or maintenance of convertibility."

From the beginning of the Fund's operations in 1947 to the end of May 1955, total drawings had amounted to $1,198 million by 27 member countries. Of this amount, $604 million had been repaid to the Fund. The Articles of Agreement provide in general that half of any net improvement in a member country's reserves in gold and convertible currencies must be used to pay any outstanding debt to the Fund. If these automatic repayment arrangements do not operate, or if

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International Monetary Fund

By FRANK SOUTHARD, JR.,

United States Executive Director, International Monetary Fund

U. S. agriculture has a large stake in the International Monetary Fund, for many of the barriers to sale of its products abroad are financial. The Fund, with 58 member nations, is devoted to promoting international monetary cooperation and expanding world trade.

SPEAKING in very broad terms, the International Monetary Fund was set up to administer the "code of fair practice" in the field of foreign exchange—a code set forth in its Articles of Agreement—and to make short-term advances to member countries to help them meet temporary deficits in their balances of payments. The general objectives of the Fund are these—

1. Elimination of exchange restriction.
2. Establishment and maintenance of fully convertible currencies, and
3. Widest possible extension of multilateral payments.

The foreign exchange policy of the United States fully satisfies these objectives, and the United States has played an active role in the Fund. The U. S. dollar is fully convertible, and the United States freely buys and sells gold in transactions with other treasuries and central banks and does not maintain exchange restrictions except as to Communist China and North Korea.

The Fund was organized early in 1946, and began exchange transactions on March 1, 1947. Its 58 members include nearly all of the countries in the Free World. Argentina, Ireland, New Zealand, Portugal, Spain, and Switzerland are the chief exceptions. A Board of Governors controls the Fund. It consists of one Governor for each member country. However, since this Board meets only once a year the day-to-day operations of the Fund are under the control of a 6-member Board of Executive Directors which is in continuous session in Washington.

Five Directors are appointed by the countries having the largest quotas (United States, United Kingdom, Nationalist China, France, and India) and 11 are elected for 2-year terms by the other 53 countries. The voting power of the Directors varies with the size of the quotas of the countries they represent, and the United States has a voting strength of about 27 percent in the present Executive Board.

The basic arrangement provided by the Articles of Agreement is that each member pays to the Fund 25 percent of its quota in gold and makes the balance available in its own currency on demand of the Fund.

The Fund's assets at the end of July 1955 amounted to $8,852 million. Of this total, $1,747 million consisted of gold. In addition the Fund had at that time $1,643 million of U. S. dollar claims and $225 million of Canadian dollar claims. The remaining assets consisted mainly of inconvertible currency claims. A number of these—especially sterling, Deutsche marks, guilders, and Belgian francs—are likely to be useful to the Fund.

During its first 10 years the Fund has had to operate in a relatively unfavorable environment. In most of this period, demands for goods from the dollar area have been very strong. Few member countries have been free from inflation and many have suffered acutely from it. Prices of primary commodities increased sharply during the Korean War; afterward, many of them declined. The net result of these conditions has been widespread and persistent disequilibrium in balances of payments. In most cases, gold and dollar reserves have been relatively small, and countries have endeavored to deal with this disequilibrium by imposing and maintaining exchange restrictions together with quantitative restrictions on imports.

These general conditions have had a great deal to do with the activities of the Fund. In the first place, most of the members have not been able to establish and maintain full convertibility for their currency. In fact, only 10 countries have been able to do so—Canada, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, and the United States. The other countries have continued to avail themselves of the transitional privileges of Article XIV, which authorizes them to maintain restrictions subject to periodic examination by the Fund, and the Fund has found it necessary to approve or tolerate restrictions on a wide scale. Secondly, the acute inflation that has persisted in a number of countries has generally resulted in aggravated exchange instability. Thirdly, persistent balance of payments deficits have complicated the task of finding appropriate ways to use the resources of the Fund, as will be explained below. Fourthly, for a number of reasons many countries have continued to maintain multiple exchange rates, instead of the unitary rates which are an important objective of the Articles of Agreement.

The Fund's principal efforts have been directed to the task of helping members to restore or maintain financial stability and to reduce and finally eliminate exchange and other restrictions maintained for balance of payments purposes.

Restrictions on exchange are examined annually. The examination is detailed; it goes into all aspects of the country's economy which are essential to a judgment on the primary question. Is it feasible for the member to eliminate exchange restrictions? In addition to these annual consultations, members must consult the Fund, and obtain its approval, whenever multiple currency practices and discriminatory currency arrangements are introduced or modified. Finally, the Fund stands ready to advise the Contracting Parties of the GATT (General Agreement on Tariffs and Trade) as to the balance of payments justification of quantitative import restrictions maintained by any one of the GATT signatories.

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By JAY RICHTER

Director, Agricultural Services, a magazine editorial bureau

Foreign trade is people wrestling with goods.

This was my theory, anyhow, when I recently left the heady atmosphere of Washington to take myself down to the water line at a Greenpoint pier in Brooklyn. There I boarded a Grace Line freighter, the *Santa Catalina,* peopled by a crew of 50 and 5 other passengers, and loaded with 6,000 tons of cargo, all bound for South America.

Here are highlights from my notes:

Talked with purser, Sheldon Smith, for rundown on cargo. Georgia, Carolina pine lashed to decks. In hold, flour and boxed cereals from grain grown by farmers of Midwest, Southwest; dried milk, Northeast; fresh lettuce, celery from trucks farms of East. Cotton piece goods. 770 bags brewers' flakes. 200 bales alfalfa & 75 mixed hay for Venezuelan race horses. 200 U. S. cars & trucks including Cadillac hearse. Pre-fab. steel, X-ray equipment, vitamins, disinfectants, bathroom fixtures, steel tanks for milk storage, 54 rolls insect screen cloth, newsprint, phonographs & record players, cement mixers. A cache of new Colombian currency (had been printed in USA).

"It's tough to load and unload all that mixed stuff without damage," said Smitty, "and get last things to be taken off first and first things last."

Round trip of *Catalina,* 19 days. With only couple days in 3 weeks in home port, Capt. Ernest Prather longs for garden & grass. His hydroponic gardening on ship didn't work. Plants grew long & bitter stretching for light at portholes. Too windy to garden on deck. Still impressive amounts of good food aboard for all hands.

Supper: soup, veal cutlet, carrots & beans, fresh fruit, Boston cream pie, milk, coffee.

First stop, port of La Guaira, Venezuela. Caught ride to capital, Caracas, 15 miles away & 3,000 feet up, over new $6-million-per-mile highway. Like Pennsylvania turnpike, tunnels & all. Building going on everywhere. *Catalina's* Georgia, Carolina pine mostly used for scaffolding in construction. Cheaper to import pine for this than use Venezuelan hardwood.

Venezuela our best customer, next to Mexico, in South America. 75% Venezuelan foreign exchange accounted for by oil. That is where most money comes from to pay for goods of U. S., which buys about third of Venezuela's oil. Food sold to Venezuela in future to include more things like fruit pulps & processed cheese, less raw products like milk, etc., said Hal Wilson, materials man for Creole Petroleum Corp. in Caracas. Venezuelan Government wants to diversify economy, build agriculture. Creole buys in Venezuela annually for company commissaries about $4 million food products . . . buys about $2½ million worth from U. S.

Chamber of Commerce, Venezuela, sponsored survey. Reports citizens in 450 U. S. cities & 43 States involved in sales to Venezuela. Venezuelans buy from U. S. each year some $500 million worth of goods. About $68 million U. S. food products, $6 million tobacco, $20 million cotton goods.

Went to corner grocery (La Servidora) & meat

market (Carnicería) with fine Venezuelan family, Mr. and Mrs. José Araujo & children—Luis, Marianela, Josefina. Bought for dinner New Hampshire broiler raised by Venezuelan poultryman from U. S. baby chick flown from Miami. Delicious with oil & tomato treatment. Store full of brand names in your own grocery. Pillsbury, Kraft, Kellogg, etc. Lots of U. S. fresh eggs that had been assembled in Council Bluffs, Ia., Toms River, N. J., elsewhere in Midwest and Northeast.

Back on ship, I asked Capt. Prather where were *Catalina's* fresh eggs from U. S. He said those are handled by genteel crews who specialize in carrying product of hen & passengers on hotel-type "glamour ships." Plain-ship *Catalina* & stout crew then left for Puerto Cabello, also in Venezuela. On to Curacao in Netherlands West Indies & Barranquilla, Colombia. More cargo dropped en route. *Catalina* taking aboard, for U. S., mostly coffee, cocoa, hides. Then Puerto Cortes in Honduras, & many bananas slid aboard on slick conveyor (automation everywhere). Bananas unloaded at next stop, Charleston, S. C., the USA, where pine again was put on deck before return to Brooklyn.

"I'm going home to Jersey to work in the yard," said Capt. Prather.

Crew members of Grace Line freighter, *Santa Catalina,* relax with guitar and song atop Georgia and Carolina pine bound for Venezuela.

Venezuelan housewife, Mrs. Olga Araujo, has choice of many U. S. food items at her corner grocery in Caracas.

Israel: A Limited Market For U. S. Agricultural Products

By GEORGE L. ROBBINS

Regional Analyst, Asia and Middle East
Analysis Branch, FAS

During Israel's first 7 years, the United States has been one of that country's major suppliers of wheat and cotton. But in the next 7 years, we may find Israel a shrinking market for these and other farm commodities. Already, some of our exports to Israel are feeling the effects of Israel's move toward increased trade with countries nearer by and toward greater agricultural self-sufficiency.

DURING 1950-54, our agricultural exports to Israel averaged about $33 million. But between 1952 and 1954 our share of the Israeli wheat market declined from 77 percent to 24 percent; our share of the cotton market, from 73 percent to 69 percent.

In the 4 years ended June 1955, the U. S. Government extended grants totaling $260 million to Israel. If we should reduce our financial aid without offering any other financial incentives, Israel could hardly continue to import our farm products at the 1950-54 rate. For a chronic balance-of-payments deficit is swinging much of Israel's trade toward countries closer at hand that have practical advantages both as suppliers and as markets. Among these are Western Germany, with its reparations payments scheduled to last for 14 years; the United Kingdom, with its need for Israeli citrus; and Turkey, with its economy becoming more and more complementary to Israel's own. Although we still furnished the largest share of Israel's total imports in 1954, our share was only 28 percent as compared with 36 percent in 1952. Meanwhile, the European share increased from 35 percent to 48 percent, and Turkey's from 1 percent to 4 percent.

Israel's heavy foreign-currency indebtedness stems from its unique economic policy. In 1948, the new nation set its sights for a "European" standard of living, and combined its limited natural resources with the large capital investment necessary to attain that level. The size of that investment is shown by the country's foreign-currency indebtedness on June 30, 1954—$381 million (capital only), of which about $70 million was payable in less than a year. Israel's imports in 1954 were $290 million; its exports, only $88 million. And the foreign-currency budget for 1954-55 included a U. S. grant of $74 million, German reparations of $60 million, and only $78 million from exports.

One of the basic reasons for Israel's trade gap has been the large imports of agricultural products needed to maintain per capita food consumption at the established level of 2,600 calories a day. Hence, from the beginning, Israel has aimed toward settling and cultivating as much land as possible, and toward attaining the highest practicable degree of agricultural self-sufficiency. Measures taken to achieve these ends include new irrigation projects, increased mechanization, improved seeds, the construction of fertilizer plants, and the training of new immigrants in agricultural methods. The budget for fiscal 1955 allocated $48 million for imports of food, but also more than $10 million for agricultural production goods such as oilcake and meal, fertilizer, seeds, and insecticides.

Agricultural production during the 1953-54 crop year was about 225 percent of that in 1948-49. Grain production increased from 53,000 metric tons to about 180,000. During that period Israel spent $300 million-$400 million on agricultural expansion and mechanization, thereby doubling the cultivated area; however, the latter still amounted to little more than half an acre per person—significantly less than before 1948. Although the population nearly doubled through immigration, food production per person rose 20 percent during the period.

The country now grows most of its feed grain needs. But of the bread grain needs, domestic wheat still provides only 10 percent. There is also a great shortage of fats, and no production of sugar. These three staples—wheat (including flour), sugar, and refined vegetable oils—made up two-thirds of the daily per capita energy supply in 1952-53, latest

period for which official food balance data are available in detail. Wheat alone supplied about half the total calories. Thus domestic output furnishes less than half the daily food intake.

Thus Israel's basic agricultural problem is still the greatest possible increase of food production at the least investment and in the shortest time. This involves earning currency through exports and saving currency now being spent for imports.

Israel's Seven-Year Plan for economic development during the period 1954-60 includes a detailed agricultural program, which has been accepted by the Planning Center subject to continuing modification. This program was intended primarily to fix a target that could and should be reached by 1960, permitting the maintenance of the present diet level of 2,600 calories daily per person. The Planning Center assumes that the present population of 1.7 million will rise to 2 million by 1960.

What will be the status of the country's agriculture in 1960, assuming targets are achieved and the population is 2 million at that time? The following basic data compare the plan with the 1953 situation:

	1953	*1960*
Total population	1,629,000	2,000,000
Number of farms	42,400	83,600
Number of acres cultivated:		
Irrigated	148,000	458,000
Unirrigated	737,000	444,000
Total	885,000	902,000
Number of calories daily per person from domestic production[1]	700	1,850

[1] 1952.

The plan foreshadows major changes in the present structure of Israel's agriculture. It assumes that by 1960 the cultivated land area will be relatively unchanged from 1954's 900,000 acres, but the irrigated area will be three times as large, equaling 51 percent of all the cultivated area.

Israel estimates that an irrigated quarter acre will provide all the food requirements for one person except supplementary wheat. This they propose to purchase with agricultural exports, 90 percent of which consisted of citrus fruit and fruit juices during calendar 1954.

The plan emphasizes increased wheat production, the raising of cattle and sheep for meat, the development of export crops like bananas, citrus, and olives, and the encouragement of specialized field crops like sugar beets, cotton, peanuts, and feed.

Many of the crops to be encouraged are raised most efficiently through large-scale operations. Such specialized farming would in itself require changes in Israel's agricultural pattern. For large landholdings have until now been confined mainly to citrus and to some grain and hay crops grown by the Kibbutzim, usually on lands at a distance from the settlements. But the emphasis has shifted from the Kibbutz (communal) movement, which is characterized by specialization and mechanization, to cooperative organizations with diversified individually operated farms too small for efficient mechanization. The communal settlements have had difficulty in attracting new immigrants, who instead join the type of settlement that allows each farmer to own his own land. Both individual operation

Israel's imports of specified agricultural products, and U. S. share, 1952-54

Commodity	*Total quantity imported (metric tons)*			*Percentage imported from U. S.*		
	1952	*1953*	*1954*	*1952*	*1953*	*1954*
Wheat	223,622	327,014	327,896	77	51	24
Wheat flour	48,650	20,419	—	69	99	—
Barley	9,872	48,442	10,311	—	—	—
Grain sorghum	19,077	1,580	19,431	100	—	87
Cotton	3,239	3,853	4,222	73	73	69
Copra	21,995	14,050	3,325	22	—	—
Oilseeds, edible[1]	18,638	18,525	26,598	99	99	91
Soybean oil	4,580	1,815	17	100	100	—
Oilcake and meal	14,556	16,209	22,235	13	—	—
Meat, chilled and frozen	7,575	6,773	4,129	22	—	—
Dry milk solids, whole	1,144	1,459	623[2]	65	70	83[2]
Nonfat dry milk solids	7,672	10,720	12,866[2]	94	98	100[2]
Hides, raw or dry	974	2,346	3,848	15	53	59
Sugar	32,502	55,356	45,400	2	—	—

[1] Excludes castor seed, cottonseed, palm, sesame, and sunflower because source is unreported. Combined imports of these totaled 8,860 metric tons in 1954. [2] January-June.

End of U. S. Controls on Oats and Barley Imports

The United States no longer has controls on imports of oats and barley. The quotas that limited these imports during the past crop year expired on September 30, 1955.

The quota on oats was imposed in December 1953 and that on barley, in October 1954, because it was felt there was a danger that imports of oats and barley would be large enough to interfere materially with the U. S. price support programs for these grains. During the crop year 1954-55, however, the quotas were only partly filled; less than half for oats, and about two-thirds for barley. Canada—chief U. S. source for imports of these grains—had ample supplies of barley and moderate supplies of oats. But Canadian and U. S. prices did not differ enough to encourage large imports. At present, it appears likely that this price relationship will continue during the current crop year, and unlikely that enough oats and barley will be imported in that period to interfere materially with the operation of our price support program. However, the Department will continue to watch developments carefully, and will report to the President at any time that a need arises for further import controls on these grains.

The procedure under which these quotas were imposed is spelled out in Section 22 of the Agricultural Adjustment Act of 1933 (as amended). (1) The Secretary of Agriculture tells the President whenever he has reason to believe that imports of certain farm products are likely to endanger any program of the Department. (2) If the President agrees he directs the Tariff Commission to investigate. (3) After public hearing, the Commission sends to the President its findings and its recommendations as to appropriate action. (4) The President reviews the situation, and, in the light of the Commission's recommendations and other information, issues his proclamation.

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of small farms and lack of experience will retard a shift from Israel's traditional farming patterns to such crops as grain, cotton, and sugar beets.

Israel's basic farm problem, the one that limits substantial reductions in food imports, is water. A more extensive irrigation system is a prerequisite for approximate self-sufficiency in food. It is this fact, combined with the lack of adequate domestic sources of water, which makes the utilization of the water resources of the Jordan Valley a matter of such fundamental importance to Israel.

But even if the objectives of the Seven-Year Plan for agriculture are reached, a serious imbalance in external payments will still exist. The plan projects food and feed import requirements at $22 million for 1960. In terms of calories, one-third of Israel's food will still have to be imported. And the major food import would still be wheat, domestic production of which is planned at 43 percent of requirements. This means that, under the most optimistic assumptions, wheat imports must be continued at a level of over 6 million bushels annually. Israel may also need to continue importing significant quantities of livestock products, even if it can supplement its supply of animal protein by increasing the fish catch to the equivalent of 24 pounds per person annually, as planned.

The plan also calls for self-sufficiency in fibers by 1960. However, Israel recognizes that cotton and other vegetable fibers must compete with food crops; too, its farmers have limited experience as yet with cotton growing.

Regardless of Israel's continuing need for agricultural imports, the United States is likely to become a less important if not residual supplier of them, especially those for which Israel can develop dependable sources nearby. Our exports of wheat and cotton may be particularly vulnerable. For these crops are being expanded in several countries of the Middle East. In Turkey especially, they are now major export crops; and Turkey, like Israel, has a foreign-exchange shortage. Moreover, the Israeli and Turkish economies complement each other: in return for wheat and cotton, Israel can supply some of the industrial goods that Turkey needs.

Science Changes World Trade

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so-called family farm has, in fact, been buttressed by the development of smaller tractors (H. Niehaus), increased use of contract services (E. C. Young), and the economies that are possible in industries manufacturing agricultural supplies on a large scale (K. Skovgaard). But programs of collectivization are pushed in the Soviet sector even at some cost to current production, because the heavy industry associated with tractor production holds priority over agriculture as such and because collective and state farms are superior methods of political control over agricultural produce and people. India, on the other hand, prefers to approach the difficult problem of teaching modern agricultural practices to its small farmers precisely because democratic values are thereby better served. Even Communist China may move away from the pattern of extensive collectivization developed to serve the USSR's grainfields (S. R. Sen).

Of late, to be sure, the Soviet Union has been stressing its interest in expanding foreign trade as a means of improving peaceful international relations (A. V. Bolgov), and indeed Soviet imports of agricultural commodities have been on the rise. But the explanation of those imports is by no means clear. Purchases of animal products may be in deference to consumer demand for preferred foodstuffs that can be obtained, in part but more or less continuously, by imports. Such trade would cause no serious inconvenience if interrupted in time of emergency, and would be consistent with the fact that collectivization appears to have been least satisfactory in its attempt to expand animal husbandry. Or in its imports of sugar, the USSR may merely be taking advantage of low world prices in order to build a caloric stockpile at minimum cost. Or perhaps the changes in the internal organization of Eastern European farming are reducing output so seriously that, temporarily at least, supplementary imports of basic foodstuffs are becoming necessary.

Those who hope for a restoration of East-West trade in Europe frequently look upon the Soviet sphere as a source of primary products, agricultural and otherwise. But if the process of Communist economic development means not only larger domestic absorption of industrial raw materials but also some absolute decline in agricultural output, the realization of that hope is remote indeed. For, if Poland is no longer to be in a position to supply animal products to the United Kingdom and if the USSR is to be a purchaser of Danish butter or Argentine beef, a high level of East-West trade may be more advantageous to Western exporters of agricultural produce than to Western importers.

On two final points, there is a wide concensus, at least among agricultural economists of non-Soviet countries. Technical changes in agriculture and their effects on agriculture will in the future, as in the past, result in a measure of social disturbance (J. F. Duncan). But whether one is concerned about the mobility of farm labor, the risks of agricultural protectionism, or the instability of commodity prices, adjustment will be easier so long as high levels of income and employment are maintained in the advanced industrial countries.

Nicaraguan Milk Output Jumps

Pasteurized milk is finding wide favor in Nicaragua, and production is booming. In 1954 it reached 2,952,140 gallons; that was more than twice as much as was produced in 1953, and more than four times as much as in 1952.

Much of the credit for placing on the market in Nicaragua a healthful milk at a retail price that is not prohibitive goes to the cooperative, Compañiá Nacional de Productores de Leche, S. A., generally known as the Planta Pasteurizadora. FAS's Marketing Specialist D. R. Strobel visited this plant last spring and described it in *Foreign Agriculture* for April. As Mr. Strobel says, the people of Central America will develop a greater liking for milk when they can get a healthful nutritious product of good flavor at a reasonable price. And when they do, the way will be opened for U. S. sales of the ingredients that go into recombined milk, for, in the dry months, production of fresh fluid milk in Central America will fall far short of the potential increased demand.

India's Five-Year Plans

(Continued from page 221)

Broad over-all objectives are increased production, fuller employment, and social justice. Specific objectives include an increase of 5 percent a year in national income and the provision of some 10 million new jobs outside of agriculture. To increase employment, the Plan will place more emphasis on heavy industry and less on agriculture, and will encourage cottage industries and small consumer-goods industries. A program to nationalize and socialize key industries will also be pursued. To carry out the Plan as presently envisaged, India will have to raise its tax revenues from 7 percent of the national income to 9 percent.

For agriculture, exclusive of community development, the Ministry of Food and Agriculture has recommended that about $1,386 million be provided in the Second Plan. It proposes the following targets: food grains, 75.5 million tons; cotton, 5.5 million bales; jute, 5.0 million bales; sugar, 7.7 million tons; oilseeds, 6.8 million tons; tea, 335,000 tons; lac, 66,100 tons; pepper, 35,300 tons; cashew nuts, 80,460 tons; and areca nuts, 99,165 tons. In the programs and methods to be used, little change from the current Plan is expected.

The Second Plan will encourage diversification, both to increase farmers' incomes and to provide a wider variety of products for domestic consumption and export. Because the average Indian diet is short on meat, milk, eggs, and vegetables, output and consumption of these foods will be emphasized. Livestock improvement programs will receive more attention; poultry numbers will be increased.

Quality as well as quantity will be stressed under the Second Plan. For instance, goals will include increased production of longer staple cotton, better wool, improved varieties of vegetables, and larger eggs. And the Plan will emphasize improvements in handling, processing, and marketing, particularly for highly perishable and easily contaminated products like milk and meat.

Of special interest to agriculture is the target for fertilizer production in the industrial sector of the Second Plan. Preliminary plans call for additional production capacity amounting to about 1.7 million tons of ammonium sulfate a year by 1961. Even so, India will still not be producing its full fertilizer requirements if consumption grows as fast as experts now think it will.

During the first 4 years of the First Plan most farm prices were relatively high. This situation both encouraged and enabled farmers to spend more for materials and services designed to increase production. In 1954-55, however, rather sharp price breaks occurred, particularly for food grains; and the Central and State Governments had to bolster food grain prices by purchasing grains at set rates on markets throughout the country.

India's farmers realize more and more the advantages of improved farm practices. Still, there is no doubt that if prices stay down, farmers will find it difficult—perhaps impossible—to increase or even maintain their investments in production aids. In that case, the agricultural targets of the second 5-Year Plan will be much harder to reach.

International Monetary Fund

(Continued from page 223)

members do not voluntarily repay the Fund (as frequently happens), then the Fund will expect to work out other repayments within the 3- to 5- year period.

In addition to outright drawings, the Fund has worked out a procedure for "standby arrangements" which would give members formal assurance of access to the resources of the Fund up to a stated amount as needed. Under such arrangements the country pays a standby fee in addition to the regular charges if drawings are made. As of May 31, 1955, such agreements existed with Belgium ($50 million), Mexico ($50 million), and Peru ($12.5 million). On its drawings the Fund charges a service fee of ½ of 1 percent plus interest charges on all amounts beyond the "gold tranche" ranging from effective rates of 2 percent to 3.5 percent per annum, depending on the portion of the quota and the duration of the drawing.

From the viewpoint of the United States, the Fund is useful in several important respects. Member countries are committed to a foreign exchange policy which is identical to that traditionally followed by the United States. The United States participates in continuous review of the exchange systems of all members, and in decisions of the Fund respecting changes in those systems. Finally, the Fund presses for reduction in restrictions which, in the postwar period, have frequently discriminated against U. S. trade.

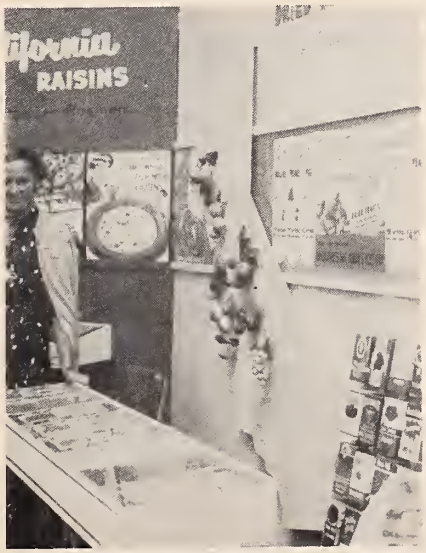
At Cologne's International Food Fair (ANUGA), in October, many of the 300,000-plus visitors viewed U. S. exhibits of the commodities pictured under the sign, Better Eating—Better Living.

American Meat Institute's representative discusses German imports with visitor.

The U. S. at Trade Fairs: First, Cologne, October 1-9

Official U. S. participation in the Cologne International Food Fair October 1-9 brought both actual sales and valuable display ideas. Sales made at the fair by the 16 U. S. trade groups used the entire $428,000 quota allotted to the U. S. exhibit by the German Government. Ideas gained are being put to good use at the big International Industries Fair in Bogota, Colombia, November 25-December 11. There, for the first time, the U. S. Departments of Agriculture and Commerce are joint participants in a Latin American fair. The U. S. exhibit will feature U. S. dairy products, grain products, and cotton.

Tobacco is a subject of interest at the U. S. Tobacco Co. display.



A variety of products adorns the booth of the California Dried Fruit Association.

Part of the interested crowd that saw the Florida Citrus Commission's display.

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ISRAEL'S IMPORTS, BY PRINCIPAL SOURCES, 1950-54